

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

*Township of Grattan*  
*Kent County, Michigan*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended March 31, 2005*

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## INDEPENDENT AUDITORS' REPORT

**Board of Trustees  
Township of Grattan, Michigan**

**We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Township of Grattan, Michigan, as of March 31, 2005, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.**

**We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.**

**In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Grattan, Michigan, as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.**

**As described in Note 14, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of April 1, 2004.**

The budgetary comparison schedules, as listed in the contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Township of Grattan, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Grattan, Michigan, basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Siegfried Crandall P.C.*

June 8, 2005

## **BASIC FINANCIAL STATEMENTS**

**Township of Grattan**  
**STATEMENT OF NET ASSETS**  
*March 31, 2005*

	<u>Governmental activities</u>	<u>Business-type activity</u>	<u>Totals</u>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 507,780	\$ 666,370	\$ 1,174,150
Investments	-	32,572	32,572
Receivables, net	87,778	51,677	139,455
Prepaid expense	12,333	5,037	17,370
Internal balances	6,373	(6,373)	-
Total current assets	<u>614,264</u>	<u>749,283</u>	<u>1,363,547</u>
Noncurrent assets:			
Receivables, net	-	257,010	257,010
Capital assets, net of accumulated depreciation	<u>792,682</u>	<u>6,023,776</u>	<u>6,816,458</u>
Total noncurrent assets	<u>792,682</u>	<u>6,280,786</u>	<u>7,073,468</u>
Total assets	<u>1,406,946</u>	<u>7,030,069</u>	<u>8,437,015</u>
<b>LIABILITIES</b>			
Current liabilities:			
Payables	102,070	43,122	145,192
Deferred revenue	96,443	-	96,443
Current portion of long-term obligations	<u>46,923</u>	<u>40,000</u>	<u>86,923</u>
Total current liabilities	<u>245,436</u>	<u>83,122</u>	<u>328,558</u>
Noncurrent liabilities:			
Long-term obligations	<u>164,250</u>	<u>320,000</u>	<u>484,250</u>
Total liabilities	<u>409,686</u>	<u>403,122</u>	<u>812,808</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	581,509	5,663,776	6,245,285
Restricted for:			
Public safety	218,054	-	218,054
Public works	6,634	-	6,634
Unrestricted	<u>191,063</u>	<u>963,171</u>	<u>1,154,234</u>
Total net assets	<u>\$ 997,260</u>	<u>\$ 6,626,947</u>	<u>\$ 7,624,207</u>

*See notes to the financial statements*

**Township of Grattan**  
**STATEMENT OF ACTIVITIES**  
Year ended March 31, 2005

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for services</u>	<u>Operating grants and contributions</u>
Governmental activities:			
Legislative	\$ 6,350	\$ -	\$ -
General government	336,997	4,520	-
Public safety	218,330	50,036	-
Public works	122,082	90,302	3,709
Community and economic development	67,764	3,764	-
Culture and recreation	4,335	-	-
Interest on long-term debt	13,908	-	-
Total governmental activities	769,766	148,622	3,709
Business-type activity:			
Sewer	518,335	312,954	-
Total	<u>\$ 1,288,101</u>	<u>\$ 461,576</u>	<u>\$ 3,709</u>

General revenues  
Property taxes  
State grants  
Investment income  
Miscellaneous

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending



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***Net (expenses) revenues and change in net assets***

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<b><i>Governmental activities</i></b>	<b><i>Business-type activity</i></b>	<b><i>Totals</i></b>
\$ (6,350)		\$ (6,350)
(332,477)		(332,477)
(168,294)		(168,294)
(28,071)		(28,071)
(64,000)		(64,000)
(4,335)		(4,335)
<u>(13,908)</u>		<u>(13,908)</u>
(617,435)		(617,435)
<u>-</u>	\$ <u>(205,381)</u>	<u>(205,381)</u>
<u>(617,435)</u>	<u>(205,381)</u>	<u>(822,816)</u>
323,256	-	323,256
242,005	-	242,005
5,448	36,210	41,658
<u>1,723</u>	<u>-</u>	<u>1,723</u>
<u>572,432</u>	<u>36,210</u>	<u>608,642</u>
(45,003)	(169,171)	(214,174)
<u>1,042,263</u>	<u>6,796,118</u>	<u>7,838,381</u>
<u>\$ 997,260</u>	<u>\$ 6,626,947</u>	<u>\$ 7,624,207</u>

See notes to the financial statements

**Township of Grattan**  
**BALANCE SHEET - governmental funds**  
 March 31, 2005

	<u>General</u>	<u>Fire Operations Fund</u>	<u>Fire Equipment Fund</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
<b>ASSETS</b>					
Cash	\$ 139,064	\$ 167,038	\$ 63,721	\$ 137,957	\$ 507,780
Receivables, net	65,739	9,163	4,581	8,295	87,778
Due from other funds	<u>5,621</u>	<u>-</u>	<u>31,878</u>	<u>-</u>	<u>37,499</u>
Total assets	<u>\$ 210,424</u>	<u>\$ 176,201</u>	<u>\$ 100,180</u>	<u>\$ 146,252</u>	<u>\$ 633,057</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Payables	\$ 8,392	\$ 24,462	\$ 3,000	\$ 4,914	\$ 40,768
Accrued liabilities	14,002	-	-	-	14,002
Due to other funds	<u>-</u>	<u>30,865</u>	<u>-</u>	<u>261</u>	<u>31,126</u>
Total liabilities	<u>22,394</u>	<u>55,327</u>	<u>3,000</u>	<u>5,175</u>	<u>85,896</u>
Fund balances:					
Unreserved	188,030	120,874	97,180	-	406,084
Unreserved, reported in non- major special revenue funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>141,077</u>	<u>141,077</u>
Total fund balances	<u>188,030</u>	<u>120,874</u>	<u>97,180</u>	<u>141,077</u>	<u>547,161</u>
Total liabilities and fund balances	<u>\$ 210,424</u>	<u>\$ 176,201</u>	<u>\$ 100,180</u>	<u>\$ 146,252</u>	

Amounts reported for *governmental activities* in the statement of net assets (page 5) are different because:

Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.	792,682
Operating assessments collected in advance are recognized as revenues in the funds	(96,443)
Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds.	12,333
Long-term liabilities, including contracts payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(211,173)
Current year debt proceeds, are reported as financing sources in the funds	(38,000)
Interest related to long-term liabilities is not due and payable in the current period and, therefore, is not reported in the funds.	<u>(9,300)</u>
Net assets of <i>governmental activities</i>	<u>\$ 997,260</u>

See notes to the financial statements

*Township of Grattan*

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - governmental funds**

*Year ended March 31, 2005*

	<u>General</u>	<u>Fire Operations Fund</u>	<u>Fire Equipment Fund</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
<b>REVENUES</b>					
Taxes	\$ 140,877	\$ 121,584	\$ 60,795	\$ -	\$ 323,256
Licenses and permits	67,923	-	-	-	67,923
State grants	245,714	-	-	-	245,714
Charges for services	3,764	-	-	-	3,764
Interest and rentals	4,962	1,617	264	555	7,398
Other	4,263	30	-	96,443	100,736
Total revenues	<u>467,503</u>	<u>123,231</u>	<u>61,059</u>	<u>96,998</u>	<u>748,791</u>
<b>EXPENDITURES</b>					
Legislative	6,350	-	-	-	6,350
General government	316,771	-	-	-	316,771
Public safety	41,170	104,444	-	-	145,614
Public works	26,670	-	-	95,412	122,082
Community and economic development	67,764	-	-	-	67,764
Culture and recreation	3,615	-	-	-	3,615
Debt service:					
Principal	19,500	-	27,424	-	46,924
Interest	11,293	-	3,315	-	14,608
Capital outlay	5,855	11,333	33,475	-	50,663
Total expenditures	<u>498,988</u>	<u>115,777</u>	<u>64,214</u>	<u>95,412</u>	<u>774,391</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(31,485)</u>	<u>7,454</u>	<u>(3,155)</u>	<u>1,586</u>	<u>(25,600)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from debt issuance	-	-	-	38,000	38,000
<b>NET CHANGE IN FUND BALANCES</b>	<u>(31,485)</u>	<u>7,454</u>	<u>(3,155)</u>	<u>39,586</u>	<u>12,400</u>
<b>FUND BALANCES - BEGINNING</b>	<u>219,515</u>	<u>113,420</u>	<u>100,335</u>	<u>101,491</u>	<u>534,761</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 188,030</u>	<u>\$ 120,874</u>	<u>\$ 97,180</u>	<u>\$ 141,077</u>	<u>\$ 547,161</u>

*See notes to the financial statements*

***Township of Grattan***

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - governmental funds (Continued)**

*Year ended March 31, 2005*

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Net change in fund balances - total governmental funds	\$ 12,400
Amounts reported for <i>governmental activities</i> in the statement of activities (page 5) are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation for the year.	(44,548)
Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds.	1,549
Interest expense is recorded when incurred in the statement of activities.	700
Operating special assessments collected in advance are reported as revenues in the funds.	(24,028)
Repayment of bond principal is an expenditure in the funds, but the repayment reduces long-term liabilities in the statement of net assets.	46,924
Current year debt proceeds, are reported as financing sources in the funds, but increase payables in the statement of net assets	<u>(38,000)</u>
Change in net assets of <i>governmental activities</i>	<u>\$ (45,003)</u>

*See notes to the financial statements*

**Township of Grattan**  
**STATEMENT OF NET ASSETS - proprietary fund**  
*March 31, 2005*

	<u>Sewer</u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 666,370
Investments	32,572
Receivables, net	51,677
Prepaid expense	<u>5,037</u>
Total current assets	<u>755,656</u>
Noncurrent assets:	
Receivables, net	257,010
Capital assets, net of accumulated depreciation	<u>6,023,776</u>
Total noncurrent assets	<u>6,280,786</u>
Total assets	<u>7,036,442</u>
<b>LIABILITIES</b>	
Current liabilities:	
Payables	43,122
Due to other funds	6,373
Current portion of long-term obligations	<u>40,000</u>
Total current liabilities	<u>89,495</u>
Noncurrent liabilities:	
Long-term obligations	<u>320,000</u>
Total liabilities	<u>409,495</u>
<b>NET ASSETS</b>	
Investment in capital assets, net of related debt	5,663,776
Unrestricted	<u>963,171</u>
Total net assets	<u>\$ 6,626,947</u>

*See notes to the financial statements*

**Township of Grattan**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN**  
**NET ASSETS - *proprietary fund***  
*Year ended March 31, 2005*

	<u>Sewer</u>
<b>OPERATING REVENUES:</b>	
Charges for services	\$ 280,524
Fees, permits, and other	<u>32,430</u>
Total operating revenues	<u>312,954</u>
<b>OPERATING EXPENSES:</b>	
Personnel costs	7,041
Contracted and professional services	53,338
Supplies and materials	3,650
Insurance	2,609
Depreciation	138,987
Telephone and utilities	27,280
Repairs and maintenance	120,603
Operation and maintenance charges	<u>149,955</u>
Total operating expenses	<u>503,463</u>
<b>OPERATING LOSS</b>	<u>(190,509)</u>
<b>NONOPERATING REVENUES:</b>	
Interest revenue	36,210
Interest expense	<u>(14,872)</u>
Total nonoperating revenues	<u>21,338</u>
<b>CHANGE IN NET ASSETS</b>	(169,171)
<b>NET ASSETS - BEGINNING</b>	<u>6,796,118</u>
<b>NET ASSETS - ENDING</b>	<u><u>\$ 6,626,947</u></u>

*See notes to the financial statements*

**Township of Grattan****STATEMENT OF CASH FLOWS - proprietary fund type**

Year ended March 31, 2005

**Cash flows from operating activities:**

Receipts from customers and users	\$ 311,750
Payments to suppliers	(323,092)
Payments to employees	<u>(6,961)</u>
Net cash used in operating activities	<u>(18,303)</u>

**Cash flows from capital and related financing activities:**

Collection of special assessment principal	100,396
Acquisition of capital assets	(2,112)
Payment of interest	(17,022)
Payment on long-term obligation	<u>(40,000)</u>
Net cash provided by capital and related financing activities	<u>41,262</u>

**Cash flows from investing activities:**

Sale of investments	98,993
Interest received	<u>36,210</u>
Net cash provided by investing activities	<u>135,203</u>

**NET INCREASE IN CASH** 158,162

**CASH - BEGINNING** 508,208

**CASH- ENDING** \$ 666,370

**Reconciliation of operating loss to net cash used in operating activities:**

Operating loss	\$ (190,509)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	138,987
(Increase) decrease in:	
Accounts receivable	(1,204)
Due from other funds	9,521
Prepaid expense	(5,037)
Increase (decrease) in:	
Accounts payable	30,373
Accrued liabilities	<u>(434)</u>

**Net cash used in operating activities** \$ (18,303)

See notes to financial statements

**Township of Grattan**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Township of Grattan, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

**a) *Reporting entity:***

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

**b) *Government-wide and fund financial statements:***

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**c) *Measurement focus, basis of accounting, and financial statement presentation:***

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal period.



**Township of Grattan**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Operations Fund accounts for the financial resources used for the operational costs of the Township's fire department. Revenues are primarily derived from special assessments.

The Fire Equipment Fund accounts for the financial resources used for the major equipment and capital costs of the Township's fire department. Revenues are primarily derived from special assessments.

The Township reports a single proprietary fund, Sewer Fund, which accounts for operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**Township of Grattan**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

*d) Assets, liabilities, and net assets or equity:*

i) *Bank deposits* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) *Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) *Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

iv) *Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning January 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Land improvements	15 - 30 years
Buildings and improvements	15 - 60 years
Equipment	3 - 5 years
Infrastructure	10 - 75 years

v) *Deferred revenue* - In the fund financial statements, governmental funds defer revenue recognition in connection with resources that have been received but not yet earned.

**Township of Grattan**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities, and net assets or equity* (continued):

vi) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vii) *Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is July 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

The following schedule sets forth significant budget variations:

<u>Fund</u>	<u>Function</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
General	Community and economic development	51,273	67,764	(16,491)
	Capital outlay	2,600	5,855	(3,255)
	Public safety	93,450	104,444	(10,994)

NOTE 3 - CASH AND INVESTMENTS:

Cash as presented in the accompanying financial statements, consisted of the following:

<u>Governmental activities</u>	<u>Business-type activity</u>	<u>Total</u>
\$ 507,780	\$ 666,370	\$ 1,174,150

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority. At March 31, 2005, the Township has deposits with a carrying amount of \$1,174,150 and a bank balance of \$1,175,850. Of the bank balance, \$337,469 is covered by federal depository insurance and \$838,381 is uninsured.

**Township of Grattan**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 3 - CASH AND INVESTMENTS (Continued):**

*Investments:*

State statutes authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, within three highest rate classifications by at least two national rating services, maturing not later than 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; and e) mutual funds holding investments allowable by state statute. Not more than 50% of any fund may be invested in commercial paper.

The GASB statement 3 risk disclosures for the Township investments are as follows:

Non-risk categorized:

Kent County Investment Pool                      \$     32,572

**NOTE 4 - RECEIVABLES:**

Receivables, as of year end, for the government's individual major and nonmajor funds, in the aggregate, are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Property taxes</u>	<u>Special assessments</u>	<u>Inter- governmental</u>	<u>Totals</u>
General	\$ 18,612	\$ 9,630	\$ -	\$ 37,497	\$ 65,739
Fire Operations	-	9,163	-	-	9,163
Fire Equipment	-	4,581	-	-	4,581
Sewer	15,017	-	293,670	-	308,687
Other	-	8,295	-	-	8,295
Totals	<u>\$ 33,629</u>	<u>\$ 31,669</u>	<u>\$ 293,670</u>	<u>\$ 37,497</u>	<u>\$ 396,465</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 257,010</u>	<u>\$ -</u>	<u>\$ 257,010</u>

All receivables are considered fully collectible.

**NOTE 5 - DEFERRED REVENUE:**

Governmental funds report deferred revenues in connection with resources that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, deferred revenues represented unearned operating assessments collected in advance of related expenditures in nonmajor governmental funds.

**Township of Grattan**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 6 - CAPITAL ASSETS:**

Capital asset activity for the year ended March 31, 2005, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 37,337	\$ -	\$ -	\$ 37,337
Capital assets being depreciated:				
Buildings and improvements	464,500	-	-	464,500
Equipment	88,526	-	-	88,526
Vehicles	507,500	-	-	507,500
Subtotal	<u>1,060,526</u>	<u>-</u>	<u>-</u>	<u>1,060,526</u>
Less accumulated depreciation for:				
Buildings and improvements	(125,189)	(13,487)	-	(138,676)
Equipment	(20,269)	(5,686)	-	(25,955)
Vehicles	(115,175)	(25,375)	-	(140,550)
Subtotal	<u>(260,633)</u>	<u>(44,548)</u>	<u>-</u>	<u>(305,181)</u>
Total capital assets being depreciated (net)	<u>799,893</u>	<u>(44,548)</u>	<u>-</u>	<u>755,345</u>
Governmental activities capital assets, net	<u>\$ 837,230</u>	<u>\$ (44,548)</u>	<u>\$ -</u>	<u>\$ 792,682</u>
Business type activity:				
Sewer system and improvements	\$ 8,939,800	\$ -	\$ -	\$ 8,939,800
Equipment	4,785	2,112	-	6,897
Subtotal	<u>8,944,585</u>	<u>2,112</u>	<u>-</u>	<u>8,946,697</u>
Less accumulated depreciation for:				
Sewer system and improvements	(2,782,498)	(131,780)	-	(2,914,278)
Equipment	(1,436)	(7,207)	-	(8,643)
Subtotal	<u>(2,783,934)</u>	<u>(138,987)</u>	<u>-</u>	<u>(2,922,921)</u>
Business type activity capital assets, net	<u>\$ 6,160,651</u>	<u>\$ (136,875)</u>	<u>\$ -</u>	<u>\$ 6,023,776</u>

**Township of Grattan**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 6 - CAPITAL ASSETS (Continued):**

Depreciation expense was charged to functions of the Township as follows:

	<u>Governmental activities</u>	<u>Business-type activity</u>
General government	\$ 15,353	\$ -
Public safety	28,475	-
Public works	-	138,987
Culture and recreation	<u>720</u>	<u>-</u>
Total	<u>\$ 44,548</u>	<u>\$ 138,987</u>

**NOTE 7 - LONG-TERM OBLIGATIONS:**

At March 31, 2005, long-term liabilities are comprised of the following individual issues:

Governmental activities:

Note payable - bank, secured by fire vehicle, annual installments of \$27,423, including interest at 5.89%; final payment due May 1, 2005	\$ 27,423
Note payable - bank, site improvements loan, dated April 1, 1998, annual installments of \$9,000 to \$17,000, plus interest at 5.45%; final payment due November 2012	78,000
Note payable - bank, office construction loan, dated November 1, 1997, annual installments of \$8,250 to \$17,000, plus interest at 5.49%; final payment due July 2012	<u>105,750</u>
Total governmental activities long-term obligations	211,173

Business-type activity:

Note payable - bank, sewer improvement loan, dated April 28, 2003, annual installment of \$40,000, plus interest, final payment due May 2014	<u>360,000</u>
Total long-term obligations	<u>\$ 571,173</u>

**Township of Grattan**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 7 - LONG-TERM DEBT (Continued):

Long-term obligation activity for the year ended March 31, 2005, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Governmental activities:					
Notes payable	\$ 258,097	\$ -	\$ (46,924)	\$ 211,173	\$ 46,923
Business-type activity:					
Note payable	<u>400,000</u>	<u>-</u>	<u>(40,000)</u>	<u>360,000</u>	<u>40,000</u>
Total long-term obligations	<u>\$ 658,097</u>	<u>\$ -</u>	<u>\$ (86,924)</u>	<u>\$ 571,173</u>	<u>\$ 86,923</u>

At March 31, 2005, debt service requirements are follows:

<u>Year ended March 31,</u>	<u>Governmental activities</u>		<u>Business-type activity</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 46,923	\$ 11,672	\$ 40,000	\$ 14,400
2007	19,500	8,990	40,000	12,800
2008	23,250	7,923	40,000	11,200
2009	23,250	6,650	40,000	9,600
2010	23,250	5,378	40,000	8,000
2011	25,000	4,106	40,000	6,400
2012	25,000	2,737	40,000	4,800
2013	25,000	1,368	40,000	3,200
2014	<u>-</u>	<u>-</u>	<u>40,000</u>	<u>1,600</u>
Totals	<u>\$ 211,173</u>	<u>\$ 48,824</u>	<u>\$ 360,000</u>	<u>\$ 72,000</u>

**Township of Grattan**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 8 - PAYABLES:**

Payables at March 31, 2005, consist of the following:

<u>Fund</u>	<u>Accounts</u>	<u>Accrued liabilities</u>	<u>Short-term debt</u>	<u>Totals</u>
Governmental activities:				
General	\$ 8,392	\$ 23,302	\$ -	\$ 31,694
Fire Operations	24,462	-	-	24,462
Fire Equipment	3,000	-	-	3,000
Other	4,914	-	38,000	42,914
Total	<u>\$ 40,768</u>	<u>\$ 23,302</u>	<u>\$ 38,000</u>	<u>\$ 102,070</u>
Business-type activity	<u>\$ 30,372</u>	<u>\$ 12,750</u>	<u>\$ -</u>	<u>\$ 43,122</u>

The short-term debt in other governmental funds consists of a bank note used to finance public works expenditures, to be repaid through subsequent operating assessments on benefited properties.

**NOTE 10 - INTERFUND BALANCES:**

Balances due to/from other funds at March 31, 2005, consist of temporary interfund loans of pooled cash.

**NOTE 11 - RISK MANAGEMENT:**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The risks of loss arising from general liability up to \$2,000,000, property and casualty, and workers' compensation are managed through purchased commercial insurance.

**NOTE 12 - DEFINED CONTRIBUTION AND MONEY PURCHASE PLAN:**

The Township maintains two defined contribution pension plans. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Michigan state statute assigns the authority to establish and amend benefit provisions to the Township Board of Trustees. Employees are eligible to participate from the date of employment. Elected officials and the fire chief are covered under one plan. The Township's appointed officials and employees, including volunteer firemen, are included under a second plan. The Township contributes 10% of covered salaries for both plans. The Township's contributions are fully vested immediately. The Township is not a trustee of the plans, nor is the Township responsible for investment management of plan assets.

The Township made required contributions of \$14,815 during the year ended March 31, 2005.



**Township of Grattan**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 13 - CONTINGENCY:**

A corporation has contested several zoning-related issues by bringing a legal complaint against the Township. The Township has chosen to contest the complaint and has incurred legal fees, which are being shared by a neighboring township, in the process of defending itself in court. Various other costs, including the repayment of plaintiff attorney fees and interest, may be charged to the Township. The outcome of the litigation has not been determined.

**NOTE 14 - CHANGE IN ACCOUNTING PRINCIPLES:**

Effective April 1, 2004, the Township implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, along with all related statements and interpretations. In connection with the implementation of this statement, the following adjustments to beginning net assets have been made to reflect the cumulative effect of this accounting change:

Net assets as previously reported	
(general and special revenue funds)	\$ 534,761
Capital assets, net of depreciation	837,230
Long-term obligations	(258,097)
Prepaid expenses	10,784
Accrued interest payable	(10,000)
Deferred revenue	<u>(72,415)</u>
Net assets as restated	<u>\$ 1,042,263</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Township of Grattan**  
**BUDGETARY COMPARISON SCHEDULE - General Fund**  
Year ended March 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES:</b>				
Taxes	\$ 127,680	\$ 127,680	\$ 140,877	\$ 13,197
Licenses and permits	62,000	62,000	67,923	5,923
State grants	246,058	237,558	245,714	8,156
Charges for services	9,000	9,000	3,764	(5,236)
Interest and rentals	3,500	3,500	4,962	1,462
Other	5,000	5,000	4,263	(737)
Total revenues	<u>453,238</u>	<u>444,738</u>	<u>467,503</u>	<u>22,765</u>
<b>EXPENDITURES:</b>				
Legislative - Township Board	<u>6,287</u>	<u>6,087</u>	<u>6,350</u>	<u>(263)</u>
General government:				
Supervisor	17,975	17,975	17,502	473
Elections	8,570	9,270	9,575	(305)
Assessor	22,520	22,520	22,545	(25)
Clerk	34,105	32,285	31,756	529
Board of review	913	913	550	363
Treasurer	36,180	39,180	39,187	(7)
Building and grounds	5,000	4,400	5,642	(1,242)
Cemetery	2,600	2,800	2,800	-
General administration	56,500	66,805	72,494	(5,689)
Professional services	67,500	107,500	96,027	11,473
Other	<u>31,022</u>	<u>18,272</u>	<u>18,693</u>	<u>(421)</u>
Total general government	<u>282,885</u>	<u>321,920</u>	<u>316,771</u>	<u>5,149</u>
Public safety:				
Building inspections	25,000	35,600	38,660	(3,060)
Safety board	406	186	180	6
Kent County Sheriff	500	500	528	(28)
Fire board	<u>1,522</u>	<u>1,522</u>	<u>1,802</u>	<u>(280)</u>
Total public safety	<u>27,428</u>	<u>37,808</u>	<u>41,170</u>	<u>(3,362)</u>

**Township of Grattan**

**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended March 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXPENDITURES (Continued):</b>				
Public works - streets and bridges	\$ 40,000	\$ 26,225	\$ 26,670	\$ (445)
Community and economic development - planning and zoning	57,243	51,273	67,764	(16,491)
Recreation and culture:				
Museum	1,000	800	1,297	(497)
Parks and recreation	4,000	2,230	2,318	(88)
Total recreation and culture	5,000	3,030	3,615	(585)
Debt service:				
Principal	19,500	19,500	19,500	-
Interest	11,295	11,295	11,293	2
Capital outlay	3,600	2,600	5,855	(3,255)
Total expenditures	453,238	479,738	498,988	(19,250)
<b>NET CHANGE IN FUND BALANCE</b>	-	(35,000)	(31,485)	3,515
<b>FUND BALANCE - BEGINNING</b>	219,515	219,515	219,515	-
<b>FUND BALANCE - ENDING</b>	<u>\$ 219,515</u>	<u>\$ 184,515</u>	<u>\$ 188,030</u>	<u>\$ 3,515</u>

**Township of Grattan**

**BUDGETARY COMPARISON SCHEDULE - Fire Operations Fund**

Year ended March 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES:</b>				
Taxes	\$ 105,900	\$ 105,900	\$ 121,584	\$ 15,684
Interest	1,000	1,000	1,617	617
Other	-	-	30	30
Total revenues	<u>106,900</u>	<u>106,900</u>	<u>123,231</u>	<u>16,331</u>
<b>EXPENDITURES:</b>				
Public safety:				
Salaries	49,450	49,450	53,545	(4,095)
Payroll taxes	700	700	781	(81)
Education and training	5,000	5,000	8,113	(3,113)
County fire assessment	8,000	8,000	5,242	2,758
Contracted services	500	500	3,844	(3,344)
Insurance	8,000	8,000	10,049	(2,049)
Pension contribution	3,000	3,000	3,485	(485)
Repairs and maintenance	3,500	3,500	7,333	(3,833)
Building and grounds	3,000	3,000	1,880	1,120
Supplies	4,500	4,500	3,482	1,018
Telephone	1,000	1,000	1,256	(256)
Utilities	2,500	2,500	4,333	(1,833)
Other	4,300	4,300	1,101	3,199
Total public safety	<u>93,450</u>	<u>93,450</u>	<u>104,444</u>	<u>(10,994)</u>
Capital outlay	<u>8,750</u>	<u>15,240</u>	<u>11,333</u>	<u>3,907</u>
Total expenditures	<u>102,200</u>	<u>108,690</u>	<u>115,777</u>	<u>(7,087)</u>
<b>NET CHANGE IN FUND BALANCE</b>	4,700	(1,790)	7,454	9,244
<b>FUND BALANCE - BEGINNING</b>	<u>113,420</u>	<u>113,420</u>	<u>113,420</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 118,120</u>	<u>\$ 111,630</u>	<u>\$ 120,874</u>	<u>\$ 9,244</u>

**Township of Grattan**  
**BUDGETARY COMPARISON - Fire Equipment Fund**  
Year ended March 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES:</b>				
Taxes	\$ 52,950	\$ 52,950	\$ 60,795	\$ 7,845
Interest	<u>250</u>	<u>250</u>	<u>264</u>	<u>14</u>
Total revenues	<u>53,200</u>	<u>53,200</u>	<u>61,059</u>	<u>7,859</u>
<b>EXPENDITURES:</b>				
Debt service:				
Principal	27,225	27,225	27,424	(199)
Interest	3,315	3,315	3,315	-
Capital outlay	<u>19,595</u>	<u>38,198</u>	<u>33,475</u>	<u>4,723</u>
Total expenditures	<u>50,135</u>	<u>68,738</u>	<u>64,214</u>	<u>4,524</u>
<b>NET CHANGE IN FUND BALANCE</b>	3,065	(15,538)	(3,155)	12,383
<b>FUND BALANCE - BEGINNING</b>	<u>100,335</u>	<u>100,335</u>	<u>100,335</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 103,400</u>	<u>\$ 84,797</u>	<u>\$ 97,180</u>	<u>\$ 12,383</u>

## **SUPPLEMENTARY INFORMATION**

**Township of Grattan**  
**COMBINING BALANCE SHEET - nonmajor governmental funds**  
 March 31, 2005

	<b><i>Big Pine Island Lake</i></b>	<b><i>Crooked Lake</i></b>	<b><i>Cowan Lake</i></b>	<b><i>Totals</i></b>
<b>ASSETS</b>				
Cash	\$ 46,958	\$ 51,281	\$ 39,718	\$ 137,957
Receivables (net)	<u>4,324</u>	<u>2,569</u>	<u>1,402</u>	<u>8,295</u>
Total assets	<u>\$ 51,282</u>	<u>\$ 53,850</u>	<u>\$ 41,120</u>	<u>\$ 146,252</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Payables	\$ 2,475	\$ 2,250	\$ 189	\$ 4,914
Due to other funds	<u>-</u>	<u>-</u>	<u>261</u>	<u>261</u>
Total liabilities	2,475	2,250	450	5,175
Fund balances - unreserved, undesignated	<u>48,807</u>	<u>51,600</u>	<u>40,670</u>	<u>141,077</u>
Total liabilities and fund balances	<u>\$ 51,282</u>	<u>\$ 53,850</u>	<u>\$ 41,120</u>	<u>\$ 146,252</u>



**Township of Grattan****COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - nonmajor governmental funds***Year ended March 31, 2005*

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	<b><i>Big Pine Island Lake</i></b>	<b><i>Crooked Lake</i></b>	<b><i>Cowan Lake</i></b>	<b><i>Totals</i></b>
<b>REVENUES</b>				
Interest	\$ 197	\$ 244	\$ 114	\$ 555
Other	<u>34,562</u>	<u>26,847</u>	<u>35,034</u>	<u>96,443</u>
Total revenues	34,759	27,091	35,148	96,998
<b>EXPENDITURES</b>				
Public works	<u>27,803</u>	<u>20,112</u>	<u>47,497</u>	<u>95,412</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	6,956	6,979	(12,349)	1,586
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from debt issuance	<u>-</u>	<u>-</u>	<u>38,000</u>	<u>38,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	6,956	6,979	25,651	39,586
<b>FUND BALANCES - BEGINNING</b>	<u>41,851</u>	<u>44,621</u>	<u>15,019</u>	<u>101,491</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 48,807</u>	<u>\$ 51,600</u>	<u>\$ 40,670</u>	<u>\$ 141,077</u>